

CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Alpine Banks of Colorado

Point of Contact:	Eric A. Gardey	RSSD: (For Bank Holding Companies)	1061679
UST Sequence Number:	885	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	70,000,000	FDIC Certificate Number: (For Depository Institutions)	23091
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	N/A	City:	Glenwood Springs
Date Repaid ¹ :	N/A	State:	Colorado

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

Our loan portfolio has continued to decrease in 2011 as we have had CPP funds. However, given regulatory pressure to maintain higher capital levels in all banks, our loan portfolio has fallen much less than it otherwise would have needed to.

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☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

While total loans have decreased, we have been able to book substantial numbers of residential mortgage loans and commercial mortgage loans. A lack of loan demand has been hurting our ability to grow our loan portfolio

☒ **Increase securities purchased (ABS, MBS, etc.).**

In 2011 we were able to grow our securities portfolio. We have increased our portfolio of municipal securities, primarily from Colorado based issuers.

☐ **Make other investments.**

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☐ Increase reserves for non-performing assets.

☒ Reduce borrowings.

The CPP funding has allowed us to reduce our funding from non core sources in 2011. Primarily by reducing our level of brokered CD deposits.

☐ Increase charge-offs.

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☐ Purchase another financial institution or purchase assets from another financial institution.

☒ Held as non-leveraged increase to total capital.

The funds we received from CPP are primarily held as increased capital in order to fortify our balance sheet. Most banks, including ourselves, need to hold higher capital levels than in the past. The CPP funds allow us to hold these higher levels and continue to serve our customers financial needs.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

Alpine Bank has not stopped lending during the current economic recession. We are still able to fund loans for qualified, credit worthy borrowers. Loan demand, however, has decreased significantly. The result is that new loans are not being booked at a rate necessary to replace loans being paid off. Thus, you see a reduction in our total loans outstanding. The capital from CPP funds has been crucial in our ability to continue meeting the credit needs of our communities. Given the regulatory demands for ever higher capital levels in banks, Alpine Bank would not have been able to meet all of the credit needs of our communities without the CPP funding.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

Alpine Bank was able to initiate new programs and continue the following programs in 2011 as a result of receiving funds from the CPP: Owner Occupied Commercial Real Estate Lending - Alpine Bank undertook in 2010 a lending program for owner occupied commercial properties. The program allows owner/users to purchase or refinance commercial buildings for use with their own businesses. The program allows qualified borrowers to obtain fixed rate funding for up to seven years. The program got off to a good start in 2010 and has continued in 2011. We've made some program enhancements in 2011 to make it more attractive. We've had some success with these loan types, but there continues to be a limited demand. We'd like to find more qualified borrowers. Residential Mortgage Lending - Alpine Bank has long provided residential mortgage loans through our Mortgage Division. The majority of these loans are sold to the secondary market. With tightened standards in the secondary market, more and more good borrowers are having trouble obtaining mortgage loans. In 2011, Alpine Bank created several in house residential mortgage products. These loans are targeted at the good borrowers, that for whatever reason, can not meet the overly stringent underwriting guidelines in the secondary market. Alpine Bank keeps these loans on our books. To date, we have had great success with this product. It is our greatest source of new loan opportunities. Without CPP funding, we would have been unable to launch this product.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

During the current economic recession, Alpine Bank has continued to be active leaders in our communities. While other banks and organizations have pulled back and reduced corporate giving, Alpine has continued our corporate giving at historic levels. We have actively increased our non monetary involvement with our communities. Alpine Bank personnel continue to be leaders in community organizations, projects and causes. The receipt of CPP funds has assisted us in keeping this high level of community support alive.